

	RENTAL (OPERATING LEASE)	FINANCE LEASE	COMMERCIAL HIRE PURCHASE
Flexibility	Highly flexible—easy upgrades and add-ons at any time with a simple contract variation. Often possible without any change to monthly payment,	Less flexible—can only upgrade by taking out a new lease and paying out the old one.	Less flexible—can only upgrade by taking out a new CHP and paying out the old one.
Tax Treatment	Monthly payments 100% tax deductible with business use	Monthly payments 100% tax deductible with business use	Interest component of payments, plus depreciation of equipment tax deductible, as per ATO guidelines
Residual Risk	No residual risk obligation	A pre-determined residual is owed at the end of the term	A final balloon payment is an option with Hire Purchase contracts
Ownership	Ownership not main motivation. Equipment generally returned or re-rented. Can be purchased at end of term for an agreed amount.	Ownership is agreed and guaranteed upon payment of the predetermined residual value at the end of term	Ownership granted at the beginning of the Hire Purchase term. Contract is finalised upon receipt of all payments and final balloon.
Accounting Treatment	Rental / Operating Lease payments should be treated as an operating expense and so do not appear on the Balance Sheet as a financial liability	Finance Lease liabilities are noted on the Balance Sheet as capital expenditure	Hire Purchase commitments are noted on the Balance Sheet as capital expenditure
GST Treatment	Payments are calculated on GST exclusive price. Payments then have GST added (which you account for on your BAS and claim as an Input Tax Credit)	Payments are calculated on GST exclusive price. Payments then have GST added (which you account for on your BAS and claim as an Input Tax Credit)	Payments calculated on the GST inclusive price. No GST is applicable to the payment.